Annual Statement of
Regent Insurance Company
For the Year Ended December 31, 2008

IDENTIFICATION

I, Norman E. Donelson, am Vice President and Chief Actuary of Regent Insurance Company ("the Company"). I am a member of the American Academy of Actuaries and meet its qualification standards for Statements of Actuarial Opinion regarding fire and casualty insurance company statutory Annual Statements. I am also a Fellow of the Casualty Actuarial Society. I was appointed by the Board of Directors of Regent Insurance Company on August 21, 2008 to render this opinion.

The loss and loss adjustment expense reserves are the responsibility of the Company's management; my responsibility is to express an opinion on those reserves based on my review.

SCOPE

I have examined the reserves listed in Exhibit A, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of December 31, 2008. The items upon which I am expressing an opinion, as shown in Exhibit A, reflect the disclosures shown in Exhibit B.

The Company writes no long duration contracts, defined as contracts, excluding financial guaranty contracts, mortgage guaranty contracts, and surety contracts, that fulfill both of the following conditions: (1) the contract term is greater than or equal to thirteen months and (2) the insurer can neither cancel nor increase the premium during the contract term.

The Company is part of an intercompany pooling agreement with other members of QBE Regional Insurance. My analysis of the reserve items identified in Exhibit A has been performed for all pool companies combined, or for selected subsets of the pool.

In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data and related information prepared by me and by other Company staff working at my direction. I evaluated the data used directly in my analysis for reasonableness and consistency. My evaluation did not reveal any data points materially affecting my analysis that fell outside of the range of reasonable possibilities. I also reconciled the earned premium amounts, paid loss and loss adjustment expense amounts, and case reserve amounts as of December 31, 2008 used in my analysis against Schedule P - Part 1 of the Company's current Annual Statement. In other respects, the analysis underlying my opinion included the use of such actuarial assumptions and methods and such tests of calculations as I considered necessary.

My review was limited to the items included in Exhibit A, and did not include an analysis of any income statement items or other balance sheet items. My opinion on the reserves is based upon the assumption that all reserves are backed by valid assets which have suitably scheduled maturities and/or adequate liquidity to meet cash flow requirements.

Statement of Actuarial Opinion

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OPINION

In my opinion, the sum of the amounts carried on account of Items 1. and 2., the sum of the amounts carried on account of Items 3. and 4., and the amount carried on account of Item 5., all as shown in Exhibit A:

A. Meet the requirements of the insurance laws of the State of Wisconsin;

B. Are consistent with reserves computed in accordance with Standards of Practice issued by the Actuarial Standards Board (including the Casualty Actuarial Society's Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves); and

C. Make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its contracts and agreements.

RELEVANT COMMENTS

Risk of Material Adverse Deviation

There are a variety of risk factors that expose the Company's reserves to significant variability. I have identified the major risk factors as the Company's exposure to long-tail business such as workers compensation and general liability and its exposure to construction defect, asbestos and environmental claims, about which there is greater uncertainty. The potential impact of these risk factors is described in more detail in the following paragraphs and in the report supporting this opinion. The absence of other risk factors from this listing does not imply that additional risk factors will not be identified in the future as being a significant influence on the Company's reserves.

A portion of the Company's loss and loss adjustment expense reserves arises from certain categories of long-tail exposures, including construction defect, asbestos and environmental claims. The reserves for these claims reflect the Company's assessment of its exposure based on the circumstances surrounding each claim and include a provision for additional development on both known and unreported claims of this nature. Estimation of ultimate liabilities for these claims is unusually difficult due to outstanding issues such as whether coverage exists, definition of an occurrence, determination of ultimate damages and allocation of such damages to financially responsible parties. Therefore, any estimate of these liabilities is subject to significantly greater than normal variation.

In addition, the Company's loss and loss adjustment expense reserves include reserves stemming from exposure to the workers compensation and general liability lines of business. The losses associated with these lines of business develop over a longer period of time and in a more variable fashion than those associated with other lines of business. In addition, the payments associated with workers compensation and general liability are subject to a number of uncertainties, including inflation, the legal environment, and (in the case of workers compensation) improvements in medical research and technology many years in the future. Consequently estimation of ultimate liabilities for these claims is difficult and any estimate is subject to greater than normal variation.

I believe that the risk factors above, coupled with the variability that is inherent in any estimate of unpaid loss and loss adjustment expense obligations, could result in material adverse deviation from the carried net reserve amounts. In making this determination, I have considered a material adverse deviation to be one in which the actual net unpaid losses and loss adjustment expenses exceed the total of Items 1. and 2. on Exhibit A by an amount greater than $6,343,589. This materiality standard, shown as Item 5. in Exhibit B, is equal to 10% of the Company's statutory surplus shown on the Liabilities, Surplus and Other Funds page of the Annual Statement. The dollar amount of decrease in total adjusted capital that would trigger a change in the Company's risk-based capital position is greater than this materiality standard. My selection of the materiality standard was based on the fact that this opinion is prepared for the regulatory review of the Company. Other measures of materiality might be used for reserves that are being evaluated in a different context.

Uncertainty

In evaluating whether the reserves make a reasonable provision for unpaid losses and loss expenses, it is necessary to project future loss and loss adjustment expense payments. Actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, my projections make no provision for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the Company's historical database or that are not yet quantifiable.

Reinsurance

The actuarial report in support of this opinion includes a summary of the Company's ceded reinsurance that is or could be material to the Company's ceded loss and loss adjustment expense reserves as of December 31, 2008. The Company has represented that the summary is materially accurate and complete, and that the Company has determined that these contracts should be accounted for as reinsurance under statutory accounting principles. The assessment of whether a reinsurance contract meets the requirements for reinsurance accounting is a management and accounting decision. As such, I express no opinion as to whether the Company's ceded reinsurance contracts meet the requirements for reinsurance accounting.

Based on representations made by Company management and its description of the Company's ceded and assumed reinsurance, I am not aware of any reinsurance transaction that either has been or should have been accounted for as retroactive reinsurance or as financial reinsurance (defined as contractual arrangements that do not include transfer of both timing and underwriting risk).

I reviewed the Company's ceded reinsurance balances as shown in Schedule F – Part 3 and in the Schedules F – Part 3 of the other member companies of its pooling structure. Of the $3,672,000 of reinsurance recoverable on paid loss and loss adjustment expense ceded to outside reinsurers as given in the schedules, $105,000 is over 90 days past due. These amounts reflect the allocation to the Company after the pooling agreement and represent 9% of the reinsurance recoverable on paid loss and loss adjustment expense of all member companies of the pool. Further, Company management has represented to me that it knows of no material uncollectible reinsurance cessions and no material disputed reinsurance balances. I also reviewed the ratings of the Company's reinsurers, using the A.M. Best Insurance Reports published as of February 10, 2009. There are no material reinsurance recoverables with assuming companies that were rated vulnerable (B or lower) by A.M. Best or that were reported to be in liquidation, conservation or receivership. In making this statement I exclude from consideration amounts recoverable with Equator Reinsurances Limited (Bermuda), an affiliate of the Company that is not rated by A.M. Best. Those recoverables are fully collateralized. I have performed no additional review of the collectibility of the Company's reinsurance and am expressing no opinion on the financial condition of its reinsurers.

Based on the information cited above, my opinion on the loss and loss adjustment expense reserves net of ceded reinsurance assumes that all ceded reinsurance is valid and collectible. I am not aware of any reinsurance that the Company treated as collectible but should have treated as uncollectible. I have not anticipated any contingent liabilities that could arise if the reinsurers do not meet their obligations to the Company as reflected in the data and other information provided to me.

IRIS Ratios

The booked reserves do not create exceptional values in the IRIS tests One-Year Reserve Development to Surplus, Two-Year Reserve Development to Surplus, and Estimated Current Reserve Deficiency to Surplus.

Other Disclosures

Salvage and Subrogation

The data underlying my review, and the resulting estimates, are net of salvage and subrogation. The Company reduces reserves to reflect anticipated salvage and subrogation recoveries.

Discounting

I evaluated the loss and loss adjustment expense reserves on an undiscounted basis with regard to the time value of money. The Company does not reduce reserves to reflect discounting.

Underwriting Pools and Associations

The Company participates in a small number of voluntary and involuntary pooling arrangements. The Company's portion of the reserve amount reported by the pools is $3,024,699. In addition, Company practice is to record supplemental reserves over those reported by the pools for defense and cost containment expense for certain pools that do not provide estimated defense and cost containment expense reserves. The Company has increased the reserves reported by those pools by $5,400 for this exposure. Reporting lag for the pool exposure is considered by the Company to be immaterial.

Asbestos and Environmental Exposure

I have reviewed the Company's exposure to asbestos and environmental claims, and I have concluded that this exposure is material. The Company currently holds $7,225,609 of net reserves for loss and loss adjustment expense for asbestos and environmental claims. Estimation of ultimate liabilities for these claims is unusually difficult due to outstanding issues such as whether coverage exists, definition of an occurrence, determination of ultimate damages and allocation of such damages to financially responsible parties. Therefore, any estimation of these liabilities is subject to significantly greater than normal variation and uncertainty.

Extended Loss and Expense Reserves

The Company does not write extended loss and expense contracts and therefore carries no extended loss and expense reserves.

Contractual Liability for Service Contracts

The Company does not provide contractual liability coverage for service contracts (vehicles, appliances, etc).

Pre-Paid Loss Adjustment Expenses

The Company's reserve for unpaid loss adjustment expenses was established based on the estimated amount to adjust all open and unreported claims, regardless of pre-payments made to third party claims administrators.

SUPPORTING DOCUMENTS AND USAGE

An actuarial report, including underlying actuarial work papers supporting the findings expressed in this Statement of Actuarial Opinion, has been provided to the Company to be retained for a period of seven years in the administrative offices of the Company and made available for regulatory examination.

This Statement of Actuarial Opinion is solely for the use of, and only to be relied upon by, the Company and the various state departments with which it files its Annual Statement.

Statement of Actuarial Opinion

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Regent Insurance Company
<u>For the Year Ended December 31, 2008</u>

Norman E. Donelson, FCAS, MAAA
Vice President and Chief Actuary
Regent Insurance Company
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February 13, 2009

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Statement of Actuarial Opinion

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<u>For the Year Ended December 31, 2008</u>

Exhibit A: SCOPE

Loss Reserves:		Column 1 Amount
1.	Reserve for Unpaid Losses (Liabilities, Surplus and Other Funds page, Col. 1, Line 1)	$75,934,281
2.	Reserve for Unpaid Loss Adjustment Expenses (Liabilities, Surplus and Other Funds page, Col. 1, Line 3)	$18,549,970
3.	Reserve for Unpaid Losses – Direct and Assumed (should equal Schedule P, Part 1, Totals from Cols. 13 and 15, Line12 * 1000)	$95,783,000
4.	Reserve for Unpaid Loss Adjustment Expenses – Direct and Assumed (should equal Schedule P, Part 1, Totals from Cols. 17, 19 and 21, Line 12 * 1000)	$22,987,000
5.	The Page 3 write-in item reserve, "Retroactive Reinsurance Reserve Assumed"	$0
6.	Other Loss Reserve items on which the Appointed Actuary is expressing an Opinion (list separately)	N/A
Premium Reserves:		
7.	Reserve for Direct and Assumed Unearned Premiums for Long Duration Contracts	$0
8.	Reserve for Net Unearned Premiums for Long Duration Contracts	$0
9.	Other Premium Reserve items on which the Appointed Actuary is expressing an Opinion (list separately)	N/A

Statement of Actuarial Opinion

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Exhibit B: DISCLOSURES

		Column 1	Column 2	Column 3	Column 4
1.	Name of the Appointed Actuary		Donelson	Norman	Emil
2.	The Appointed Actuary's Relationship to the Company Enter E or C based upon the following: E if an Employee; or C if a Consultant			E	
3.	The Appointed Actuary is a Qualified Actuary based upon what qualification? Enter F, A, M, or O based upon the following: F if an FCAS; A if an ACAS; M if not a member of the CAS, but a Member of the American Academy of Actuaries approved by the Casualty Practice Council (and attach approval letter as documentation); or O for Other			F	
4.	Type of Opinion, as identified in the OPINION paragraph. Enter R, I, E, Q, or N based upon the following: R if Reasonable; I if Inadequate or Deficient Provision; E if Excessive or Redundant Provision; Q if Qualified (use Q when part of the opinion is Qualified); or N if No Opinion			R	
5.	Materiality Standard expressed in US dollars (used to answer Question #6)	$6,343,589			
6.	Is there a Significant Risk of Material Adverse Deviation?		Yes		
7.	Statutory Surplus (Liabilities, Col. 1, Line 35)	$63,435,894			
8.	Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P (should equal Part 1 Summary, Col 23, Line 12*1000)	$3,323,000			
9.	Discount included as a reduction to loss reserves and loss expense reserves as reported in Schedule P	$0			
	9.1 Nontabular Discount [Notes, Line 31B23, (amounts 1, 2, 3 &4)], Electronic Filing Cols 7,8,9 & 10	$0			
	9.2 Tabular Discount [Notes, Line 31A23, (amounts 1&2)], Electronic Filing Cols 7 & 8.	$0			

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Exhibit B: DISCLOSURES (continued)

		Column 1	Column 2	Column 3	Column 4
10.	The net reserves for losses and expenses for the company's share of voluntary and involuntary underwriting pools' and associations' unpaid losses and expenses that are included in reserves shown on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines.	$3,030,099			
11.	The net reserves for losses and loss adjustment expenses that the company carries for the following liabilities included on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines.				
	11.1 Asbestos, as disclosed in the Notes to Financial Statements (Notes, Line 32A03D, ending asbestos reserve for current year) Electronic Filing Col 11	$3,451,327			
	11.2 Environmental, as disclosed in the Notes to Financial Statements Notes, Line 32D03D, ending asbestos reserve for current year) Electronic Filing Col 11	$3,774,282			
12.	The total claims made extended loss and expense reserve (Schedule P Interrogatories).				
	12.1 Amount reported as loss reserves	$0			
	12.2 Amount reported as unearned premium reserves	$0			
13.	Other items on which the Appointed Actuary is providing Relevant Comment (list separately)	N/A			